

DEPARTMENT OF THE TREASURY

Walker R. Stapleton
State Treasurer



Brett J. Johnson
Deputy Treasurer

REQUEST FOR QUALIFICATIONS (RFQ) FROM COLORADO INVESTMENT BANKERS to provide financial advisory services for GENERAL FUND TAX AND REVENUE ANTICIPATION NOTES Series 2012 (GTRANS) and/or SCHOOL LOAN ANTICIPATION NOTES Series 2012 (School Notes)

I. TAX AND REVENUE ANTICIPATION NOTES

- A. The Colorado State Treasurer is authorized by the Funds Management Act of 1986 (C.R.S. 24-75-901 et seq.) to issue tax and revenue anticipation notes. These notes facilitate effective cash management for the State's general fund.
- B. The estimated amount of the GTRANS for fiscal year 2012-13 is \$600 million. The expected cash deficit must occur within six months of issue and the maturity of the notes cannot exceed one year. The Treasurer's tentative plan is to sell the notes at a competitive sale in late June with settlement in early July. Cash flow projections updated after distribution of this request may affect the amount, the schedule, or show the need for a second sale of notes. It is also possible that new data may show no need for a GTRAN sale.

II. SCHOOL LOAN ANTICIPATION NOTES

- A. The Treasurer issues school loan anticipation notes in accordance with the School Loan Program Act (C.R.S. §22-54-110 and C.R.S. §29-15-112). These notes facilitate effective cash management for various school districts in the State.
- B. The estimated amount of the School Notes for fiscal year 2012-13 is \$500 million. The Treasurer's tentative plan is to sell about \$150 million at a competitive sale in late June with settlement in early July. A second sale in late fall will occur for the remainder.

III. FINANCIAL ADVISORY SERVICES NEEDED

- A. The Treasurer is seeking a firm(s) located in Colorado to serve as a financial advisor for one or both of these transactions. The Treasurer may select from those firms submitting a proposal one or two firms to serve as financial advisor(s). See the Statement of Work in Exhibit A of the State Contract attached to this RFQ.
- B. Proposals from interested firms are due Thursday, April 12, 2012 by 2:00 PM MDT.

IV. MINIMUM QUALIFICATIONS TO BID

- A. Proposing firms must be located in Colorado and listed in the Colorado section of *The Bond Buyer's Municipal Marketplace (the "Red Book")* with a public finance unit. The firm must clearly present its address in its proposal.
- B. Proposing firms must have served as a financial advisor or senior book managing lead underwriter on a minimum \$20,000,000 bond issued by a public entity in the past three years.
- C. Proposing firms must address the following requirements in an attachment to their proposal:
 - 1. The firm must state its compliance with MSRB Rule G-37 and disclose any regulatory inquiry relating to the firm's compliance with MSRB Rule G-37.
 - 2. The firm must disclose any delinquent State or local tax or outstanding fee that has occurred in the previous three years.
 - 3. The firm must provide its SEC central registration depository (CRD) number. The firm should summarize in an appendix to its proposal any pending or completed regulatory or judicial action from its SEC Form ADV that would directly affect the services requested in this RFQ.
- D. Proposing firms shall not submit joint proposals with other firms.
- E. If selected, the proposing firm must agree to sign the State Contract for Financial Advisory Services attached hereto as Appendix B. The firm shall acknowledge that upon award, the firm will sign the State Contract for Financial Advisory Services attached as Appendix B. Any changes or objections to the State Contract MUST be detailed in the firm's proposal.
- F. The firm selected will be required to exercise professionalism and respect the confidential nature of certain discussions and decision making which are considered "work product" prepared for an elected state official and are not a public record. Until the transactions are completed, the firm shall keep such work product confidential and shall not disclose confidential information to outside parties.

V. SCOPE OF SERVICES – TAX AND REVENUE ANTICIPATION NOTES

- A. The purpose of this RFQ is to select a financial advisor to be a member of the finance team developing and selling the tax and revenue notes (GTRANs). The advisor's primary purpose is to provide analysis, advice, and assistance in the following areas:
 - 1. The structure of the notes and the financial sufficiency of the legal documents.
 - 2. The selection of rating agencies and negotiation of fees.
 - 3. The presentation to the rating agencies.
 - 4. The marketing of the notes to investors.
 - 5. The management of the sales process.
 - 6. The estimated and final interest cost of the notes.
 - 7. The success of the State's note issue compared to other similar note issues.

VI. SCOPE OF SERVICES – SCHOOL LOAN ANTICIPATION NOTES

- A. This RFQ is also designed to select a financial advisor for the school loan anticipation School Notes. The selected firm may or may not be the same firm selected to be the financial advisor for the ETRANs.
- B. The selected firm will be responsible for and perform several tasks related to the development and processing of loan applications from the school districts, in addition to the typical tasks associated with a financial advisor. Some of these tasks may require on-going efforts in the fiscal year after the sale.
- C. **LOAN APPLICATION TASKS** – These are tasks required by C.R.S. §22-54-110 Examples include:
 - 1. Using a State owned Excel spreadsheet and working with participating school districts to collect, enter, and verify a variety of school financial data to calculate individual and combined school district cash deficits during the 2013 fiscal year.
 - 2. Using the resulting data to size the note sale.
 - 3. Working with the participating school districts to ensure required documents such as financial data statements, certifications, and board resolutions are accurately completed before a school district's loan application is accepted by Treasury for evaluation. Part of the work will include the firm assessing the district's ability to repay loans on or before June 25th of the applicable fiscal year.
 - 4. Monitoring the monthly cash flow reports from the school districts to ensure consistent and accurate recording of deficits during the fiscal year.
 - 5. Twenty-five school districts are expected to participate in the loan program next fiscal year. Additional task descriptions are presented in VII.E, below.
- D. The Excel spreadsheet currently used in the program was developed with public funds and is owned by the State. Pursuant to State contract provisions (see Appendix B), any enhancements or material changes made to the existing spreadsheet with State funds as well as any new methodology developed with State funds will accrue to the State.
- E. **FINANCIAL ADVISOR TASKS:** In addition to the tasks presented above, the selected firm shall serve as a financial advisor for the school loan notes sale. This service shall include the financial advisory services as described in Part V above for the GTRANs.

VII. PROPOSAL FORMAT

- A. Overview
 - 1. Briefly describe the firm's business in Colorado as it relates to public finance and the issuance of debt for governmental entities.
 - 2. Provide a contact for this RFQ and their phone number, fax number, and email address. Please place this information on the cover page.
- B. Experience
 - 1. Describe why the firm is well qualified to provide the services requested.
 - 2. Describe recent experience in providing such services.
 - 3. Provide contacts from other public entities as references for the firm.
- C. Staffing
 - 1. Describe the professional experience of the specific individuals who will provide the services requested and include their office locations, phone and fax numbers, and email

addresses. Also identify the single individual who will have primary responsibility for the advisory services. For the School Notes, identify the individual who will have primary responsibility for the maintenance of the model and for monitoring the school districts required monthly cash flow information. Of the time to be dedicated by the firm to this note issue, include the estimated percentage of time for each of the involved principals and analysts.

D. Financing - GTRANs

1. Provide a description of the structure that the firm would recommend to the Treasurer for this note issue.
2. Provide a schedule of key events in the note issuance process coordinated with the sale of the School Notes.
3. Describe your approach to the rating agencies and the investors.
4. Discuss a process for issuing a second series of notes in Fall 2012, if necessary.
5. Propose alternative financing sources that the firm believes are suitable replacements for a traditional competitive sale. Discuss the pros and cons of such replacements.

E. Financing – School Notes

1. Loan Application Tasks

- a) Identify and discuss the key issues (including qualified ballot initiatives) to be resolved in the administration of the loan program.
 - (1) Separate those issues affecting the districts and those affecting the Treasury.
 - (2) Develop a fiscal year calendar of key dates for the program.
- b) Describe and discuss alternative methodologies for estimating cash deficits in a school district and for updating such estimates during the fiscal year.
- c) Discuss procedures to obviate excess loan amounts that could result in arbitrage liabilities on the notes.
- d) Propose procedures to facilitate on-going communications between districts and the Treasury that include the status of a district's cash deficits.
- e) Discuss response alternatives for the Treasury in the case of late repayments or repayment defaults.
- f) Discuss the Governor's proposal to charge the districts for the net interest costs of the notes.
- g) Discuss other issues to be addressed in the development of the program.

2. Financial Advisor Tasks

- a) Propose a process to size the debt issue from the total deficits of the districts and associated issuance and administration costs.
- b) Provide a description of the structure that the firm would recommend to the Treasurer for this debt issue.
- c) Provide a schedule of key events in the note issuance process coordinated with the GTRAN sale.
- d) Present sample calculations of issuance and interest costs.
- e) Describe your approach to the rating agencies and the investors.
- f) Suggest alternative reinvestment options.
- g) Discuss your perspective on arbitrage issues to be identified and resolved.
- h) Although a competitive sale is envisioned, alternative financing sources that the firm believes are suitable replacements for a traditional competitive sale may be proposed. Discuss the pros and cons of such replacements.

F. Fees and Expenses

1. Present the fee the firm would charge for the services in Appendix A.
 - a. Separate fees should be presented for financial advisory tasks and school loan application tasks.
 - b. The firm should also present its estimated expenses.
 - c. Prepare an excel spreadsheet with the fee data following the column and row format below:

	Column letters				
Row #	A	B	C	D	E
1	2012 FEE TABLE FINANCIAL ADVISOR				
2					
3	<u>Requested Role</u>	<u>Fee 1st issue</u>	<u>Fee 2nd issue</u>	<u>School Notes Loan Eval & Monitor Fee</u>	<u>Expenses</u>
4	GTRAN				
5	School Notes				
6	GTRAN & School Notes				

2. Exclude from the fee presentation fees for services such as underwriter's counsel, bond/disclosure counsels, trustee bank services, rating agency fees, and bond insurance premiums.
3. The firm shall acknowledge in its proposal:
 - a. That the fees and expenses are paid solely from the proceeds of the note sales and there are no alternative sources of reimbursement.
 - b. That the proposed fees are fixed and are not subject to change after acceptance by the State.

- c. These acknowledgments are required before a proposal will be accepted by Treasury for review.

VIII. EVALUATION PROCESS

- A. The proposals will be reviewed by a group of evaluators that may include one or more persons from outside the Treasury. The group will evaluate all proposals and meritoriously rank each.
- B. The de-identified rankings will be presented to the Treasurer for his selection of a financial advisor. The Treasurer may also select a co-advisor from the proposals submitted.
- C. Conformance with the minimum qualifications specified in this RFQ is a prerequisite for evaluation.
- D. Evaluation factors
 - 1. Prior experience in providing the type of services requested and the firm's commitment of resources.
 - 2. Understanding and approach to the project.
 - 3. Qualifications and ability of personnel.
 - 4. Quality of the written presentation.
 - 5. The fees proposed by the firm compared to the quality of services presented in the proposal. Although the fees are an important evaluation criterion, a meritorious firm whose proposed fee exceeds the fees proposed by other firms may be ranked highly.

IX. ADMINISTRATIVE INFORMATION

- A. The evaluation process may include informal interviews of highly ranked firms.
- B. If a firm is selected, it must disclose any relationship or compensation arrangement that could create or appear to create a conflict of interest with any entity involved in the proposed note issue or the investment of note proceeds.
- C. By submitting a proposal, the firm certifies that it fully understands the services requested including the associated terms and conditions. Treasury assumes no liability for expenses incurred by a firm prior to its selection, nor any subsequent expenses or fees of a selected firm if the notes are not sold.
- D. Submitted materials become property of the State and after award become a public document. Firms must identify any proprietary or confidential information in their proposal.
- E. Treasury reserves the right to cancel this RFQ at any time or to reject any or all proposals. Any actual or prospective proposer who is aggrieved in connection with the solicitation or award of a contract may protest to the Chief Financial Officer at Treasury by submitting a written protest within seven days after the award. Protests will be reviewed by the State Treasurer within 30 days of receipt and a decision rendered within 60 days.
- F. The successful Firm must provide the required insurance certificate when the State Contract is executed.
- G. The response to this RFQ should not exceed 15 pages excluding appendices, with every page numbered except the cover and partition pages if services for both financial advisory services and school loan applications are presented. If only one service is presented, please try to limit the proposal to 12 pages. There is no limit on the number of pages in

appendices, but try to avoid corporate hagiographies that only increase work for the evaluators.

- H. Please provide five hard copies of your proposal. Although proposals delivered by fax or email do not count towards the five hard copies, please email to Charles Scheibe an electronic copy of your proposal with the excel spreadsheet requested in VII, F, 1, c. above.
- I. Proposals are due Thursday at **2:00 P.M. MDT, April 12, 2012** at the Department of Treasury, 200 E. Colfax Ave, room 140, Denver CO 80203 in the State Capitol. It is anticipated that the final selection will be made by April 20, 2012.
- J. Any contract resulting from this RFQ shall in the form of the State Contract for Financial Advisory Services presented in a separate attachment, without material modification except as noted in the firm's proposal.
- K. There is no penalty whatsoever on a firm that chooses not to submit a proposal.
- L. Questions about this RFQ, the note issue, or the Treasury Department may be directed to:

Charles Scheibe, Chief Financial Officer

Department of Treasury

200 E. Colfax Ave.

140 State Capitol

Denver, CO 80203

Phone 303-866-5826

Fax 303-866-2123

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Clare Jozwiak (for school loan notes)

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140 State Capitol

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APPENDIX A

2012 FEE TABLE - FINANCIAL ADVISOR

REQUESTED ROLE	Fee 1 st issue	Fee 2 nd issue	Loan Applications Evaluation & Monitoring Fee	Expenses
Tax and revenue anticipation notes Financial advisor	\$	\$	\$	\$
School loan anticipation notes Financial Advisor	\$	\$	\$	\$
Financial Advisor GTRAN <u>and</u> School Loan Notes	\$	\$	\$	\$

NOTES:

1. If the firm is not bidding on one or more of the roles above, it should enter NO BID in the associated boxes

ADDITIONAL INFORMATION - if necessary

[illegible]

APPENDIX B